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EXAMINER

BORLINGHAUS, JASON M

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PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.



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**BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES**

Application Number: 10/027,032
Filing Date: December 20, 2001
Appellant(s): MEYER, DOUGLAS C.

Payin Hughes
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed 6/18/2007 appealing from the Office action mailed 10/12/06.

(1) Real Party in Interest

A statement identifying by name the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

5884300	Brockman	5-1997
20020072977	Hoblit et al.	12-2000

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20020015176

Takao et al.

01-2001

Dobler, Donald W. & Burt, David N. Purchasing & Supply Management 6th Edition. McGraw-Hill. 1996. pp. 1 - 769.

Bragg, Steven M. Accounting Best Practices. John Wiley & Sons. 1999. pp. 1 - 282.

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

NEW GROUNDS OF REJECTION

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1, 3 – 11, 32 – 37 and 39 - 52 are rejected under 35 U.S.C. 101 because, in order to comply with §101 a process must (1) be tied to another statutory class of invention (such as a particular apparatus or system for performance of the claimed process) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing.

The method, recited in Claims 1, 3 – 11, 32 – 37 and 39 - 52, fail to (1) be tied to another statutory class of invention or (2) transform underlying subject matter to a different state or thing.

Diamond v. Diehr, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972). There is no recitation within the claims to indicate that the steps that comprise the method are nothing but mental steps performed within the mind of a person.

PREVIOUS REJECTION

Claim Rejections - 35 USC § 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

Claims 1, 3-10, 32, 33, 36, 37, 39, 44-49, and 52 are rejected under 35 U.S.C. 102(b) as being anticipated by Brockman.

Regarding Claim 1, Brockman discloses a method of improving records of inventory at a facility using a computer system, comprising: assessing a plurality of current inventory records associated with the facility (see S410 and S415); responsively identifying at least one discrepancy in at least one of the current inventory records using said computer (see S420); identifying at least one inventory process associated with said discrepancy (see S430); establishing a desired performance metric associated with said process (see S410); establishing an actual performance metric of said process in response to said discrepancy (see S415); comparing said actual and desired performance metrics (see S420); and establishing a plan to correct the at least one discrepancy in response to said comparison, the plan including a change to current inventory practices including one or more of adding an inventory process, modifying an inventory process or deleting an inventory process (see column 2, lines 28-35); and implementing the change to correct the at least one discrepancy (see column 2, lines 35-42).

Examiner notes that "determining whether products must be produced or picked from consignment inventory" clearly represents a plan for adding or modifying inventory processes.

Regarding Claim 3, Brockman discloses the step of modifying the at least one characteristic includes one of adjusting and adding the at least one characteristic to the at least one inventory record (see column 1, lines 37-42); [claim 41 the step of establishing a plan includes the step of reviewing an inventory process of the facility (see step S775; Figure 5B); [**Claim 5**] the plan includes the step of improving an inventory practice (it is inherent that any change to the inventory would be for improvement); [**Claim 6**] the plan includes the step of improving an inventory methodology (it is inherent that any change to the inventory would be for improvement); [**Claim 7**] the inventory process is a receiving process (see step 710; Figure 5A); [**Claim 8**] the step of assessing current inventory records includes the step of performing a warehouse audit (see column 3, lines 20-27); [**Claim 9**] the step of assessing current inventory records includes the step of performing a location audit (see column 3, lines 20-27); [**Claim 10**] the step of assessing current inventory records includes the step of performing a statistical test count (see column 4, lines 22-33); [**Claim 32**] receiving a claim (report; see Figure 2, S435) associated with a part shipment (see S710 in Figure 5A), where said part is a part type and is associated with said inventory; and analyzing said claim (inherent); and establishing a plan to correct the at least one deficiency; and [**Claims 33 and 39**] identifying a characteristic of a part in said inventory (for example,

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the type of product in inventory). It is noted that limitations of claims 36, 37, and 44-49 are similar to other claimed addressed above in detail.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 11, 42, 43, 50, and 51 are rejected under 35 U.S.C. 103(a) as being unpatentable over Brockman in view of Official Notice (as evidenced by Bragg, Dobler, and Takao).

Regarding Claim 11, Brockman discloses all the limitations as set forth above but fails to explicitly disclose performing a statistical test count by defining a population and extrapolating data to achieve an inventory count.

The Examiner took Official Notice in the Final Office Action mailed 10/12/2005 that it was old and well known in the art at the time the invention was made to extrapolate total inventory data based on a predetermined sample. Further, Bragg is cited as factual evidence to support the Examiner's position of Official Notice (see pages 244-245 related to counting samples).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify Brockman with inventory count extrapolation as is well

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known in the art, because inventory extrapolation allows an organization to statistically determine inventory quantities in manner that is faster and more efficient than a complete physical count.

Regarding Claim 42, Brockman fails to explicitly disclose relocating parts if the part is problem prone.

The Examiner took Official Notice in the Final Office Action mailed 10/12/2005 that it was old and well known in the art at the time the invention was made to relocate parts that may be inadvertently lost (problem prone parts). Dobler is cited as factual evidence to support the Examiner's position of Official Notice (see pages 608-612 related to relocating/disposing of surplus inventory).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify Brockman to relocate problem prone parts as is well known in that art, because relocating problem prone parts to new location that is likely to reduce the problems associated with the part is advantageous to the part owner.

Regarding Claim 43, Brockman fails to explicitly disclose identifying and recovering lost inventory.

The Examiner took Official Notice in the Final Office Action mailed 10/12/2005 that it was old and well known in the art to identify and recover lost inventory in response to a discrepancy. Bragg is cited as factual evidence to support the Examiner's position of Official Notice (see pages 241-243 related to counting).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify Brockman to identify and recover lost parts as is well

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known in that art, because identifying and recovering lost parts reduces the need of the part owner to reorder replacement inventory, wherein saving money by the part owner.

Regarding Claims 50-51, Brockman fails to explicitly disclose analyzing a claimant's claim history associated with a part.

The Examiner took Official Notice in the Final Office Action mailed 10/12/2005 that it was old and well known in the art to review a claimant's claim history to help expedite the acceptance or rejection of the claim, wherein claimants with few prior claims are likely sending valid claims. Takao is cited as factual evidence to support the Examiner's position of Official Notice (see paragraphs 0014, 0015, and 0027 related to customer measuring customer credibility). The use of claimant history reduces the claim audit costs by the part owner.

Claims 34, 35, 40, and 41 are rejected under 35 U.S.C. 103(a) as being unpatentable over Brockman in view of U.S. Patent Application No. US 2002/0072977 (hereinafter "Hoblit").

Brockman discloses all the limitations as set forth above but fail to explicitly disclose utilizing theft prone or problem prone characteristics in inventory analysis.

Hoblit teaches that inventory analysis can be generated based on theft prone or problem prone inventory (see paragraph #0021).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify Brockman with the analysis of theft/problem prone

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inventory as taught by Hoblit, because considering theft/problem prone inventory will help reduce the chance of discrepancies based on theft or problems in the future.

(10) Response to Argument

Claim 1

In response to Appellant's argument that prior art reference(s), neither alone nor in combination, discloses nor suggests each claim limitation of Claim 1, the Examiner refutes such an assertion.

Appellant argues that prior art Brockman fails to disclose each and every element of the claimed invention. Appellant illustrates this assertion by stating that Brockman fails to disclose "establishing a plan to correct the at least one discrepancy in response to said comparison, the plan including a change to current inventory practices including one or more of adding an inventory process, modifying an inventory process or deleting an inventory process; and implementing the change to correct the at least one discrepancy."

Brockman discloses:

For example, FIG. 1 illustrates how the inventory pipeline management system 100 may be configured. **Model inventory values for each product and field office/local distribution center are determined by an inventory model determination unit** 305 based on several localized key data elements.

A data collection unit 325 collects data from a logistics/transportation section 345 and the field office/local distribution centers 355 and determines an actual inventory value for each product and field office/local distribution center 355.

A differential calculation unit 310 compares the actual inventory values from the data collection unit 325 and the model inventory values from the inventory model determination unit 305. Based on the comparison, the differential calculation unit 310 determines whether an overage or a shortage of inventory exists from the model for each product and field office/local distribution center 355.

If a shortage in inventory exists (i.e. an actual inventory value is less than the model inventory value determined by the inventory model determination unit 305), a demand signal is sent to the production/inventory management unit 320. **In response to the demand signal, the production/inventory management unit 320 determines whether the products must be produced or picked from consignment inventory.** (emphasis added, see col. 2, lines 10 – 35).

Brockman discloses establishing a plan (model inventory values), identifying at least one discrepancy through comparison of inventory records (such as a comparison between model inventory values and actual inventory values), establishes a plan to correct for said discrepancy in response to said comparison (such as generating a demand signal for inventory production or inventory retrieval), and the plan including a change to current inventory practices including modifying an inventory process (such as authorizing additional inventory production or inventory retrieval).

Appellant argues that Brockman merely “discloses a mechanism to obtain units to replenish an inventory if the inventory has a shortage” which is distinct from the claimed invention which is “a change to current inventory practices.”

Examiner asserts that the broadest definition for the term was applied as to provide the “broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims.” See *In re Prater and Wei*, 162 USPQ 541, 550 (CCPA 1969).

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With that in mind, Examiner asserts that an inventory management mechanism to determine whether additional units are required to replenish an inventory, and requesting the production or retrieval from consignment inventory such required units, is a change to inventory practices. The change being the request for a new inventory replenishment action, such as production or retrieval of required units for inventory.

Claims 11, 37, 42, 43 and 50 - 52

All argument(s) and/or rationale(s) set forth above with respect to earlier addressed claim(s), Claim(s) 1, are hereby incorporated and/or reapplied so as to apply to Claim(s) 11, 37, 42, 43 and 50 - 52 where applicable.

Claims 34, 35, 40 and 41

All argument(s) and/or rationale(s) set forth above with respect to earlier addressed claim(s), Claim(s) 1, are hereby incorporated and/or reapplied so as to apply to Claim(s) 11, 37, 42, 43 and 50 -52 where applicable.

Additionally, Appellant argues that prior art Hoblit fails to disclose claim elements wherein "said characteristic includes at least one of a problem prone part, and a theft prone part" and "comprising the step of reorganizing at least a portion of said inventory in response to said problem prone part identification."

Hoblit discloses:

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[0032] In step 305, an interested party, e.g., manager, division, or a system, e.g., headquarter's host system, division host system, e-mail system, database, may be notified regarding any item(s) of the one or more items in the particular time frame that have performed unexpectedly. Item(s) that have performed unexpectedly may refer to those item(s) that have sold an appreciable amount greater than estimated or an appreciable amount less than estimated. It is noted that the threshold for whether or not an item has performed unexpectedly may be determined by the retailer. It is further noted that the interested party or system may be notified shortly after the end of the particular time frame. In one embodiment, the interested party may be notified via electronic mail. In another embodiment, the interested party may be notified via paging. In another embodiment, the interested party may be notified via a report as will be described below. It is further noted that the notification may be performed in a substantially real-time manner upon a determination that any item(s) of the one or more items in the particular time frame have performed unexpectedly. Once the interested party or system has been notified regarding any item(s) of the one or more items in the particular time frame that have performed unexpectedly, the interested party may take appropriate action to solve the problem of why the item(s) were performing unexpectedly. For example, item(s) may be selling an appreciable amount less than estimated during the time frame because the item(s) were not displayed at a location the customers expected to find the item(s). Hence, the interested party may move the item(s) to an appropriate location. Another example as to why the item(s) may be selling an appreciable amount less than estimated during the time frame may be because the item(s) were not located on the sales floor available to customers but were present in the warehouse area of the store. Hence, the interested party may move the item(s) from the warehouse area to the sales floor. Another example as to why the item(s) may be selling an appreciable amount less than estimated during the time frame may be because the displays are poorly set-up and the item(s) on the displays are difficult for the customers to select for purchase. Hence, the interested party may adjust the displays so that the item(s) are easier for the customers to select for purchase. If the item(s) were selling an appreciable amount greater than estimated during the time frame, the interested party upon notification may re-stock the shelves of item(s) that have sold an appreciable amount greater than estimated. (emphasis added, p. 4, para. 32).

Hoblit discloses an inventory system wherein a characteristic of the inventory includes identification of a problem prone part (a part that performs unexpectedly, such as a part that sells less than expected) and reorganizing at least a portion of said inventory in response to said problem prone part identification (such as relocating sales location or moving displays, upon notification of a poorly selling part).

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

This examiner's answer contains a new ground of rejection set forth in section (9) above. Accordingly, appellant must within **TWO MONTHS** from the date of this answer exercise one of the following two options to avoid *sua sponte* **dismissal of the appeal** as to the claims subject to the new ground of rejection:

(1) **Reopen prosecution.** Request that prosecution be reopened before the primary examiner by filing a reply under 37 CFR 1.111 with or without amendment, affidavit or other evidence. Any amendment, affidavit or other evidence must be relevant to the new grounds of rejection. A request that complies with 37 CFR 41.39(b)(1) will be entered and considered. Any request that prosecution be reopened will be treated as a request to withdraw the appeal.

(2) **Maintain appeal.** Request that the appeal be maintained by filing a reply brief as set forth in 37 CFR 41.41. Such a reply brief must address each new ground of rejection as set forth in 37 CFR 41.37(c)(1)(vii) and should be in compliance with the other requirements of 37 CFR 41.37(c). If a reply brief filed pursuant to 37 CFR 41.39(b)(2) is accompanied by any amendment, affidavit or other evidence, it shall be

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treated as a request that prosecution be reopened before the primary examiner under 37 CFR 41.39(b)(1).

Extensions of time under 37 CFR 1.136(a) are not applicable to the TWO MONTH time period set forth above. See 37 CFR 1.136(b) for extensions of time to reply for patent applications and 37 CFR 1.550(c) for extensions of time to reply for ex parte reexamination proceedings.

Respectfully submitted,

/Jason M Borlinghaus/
Examiner, Art Unit 3693

A Technology Center Director or designee must personally approve the new ground(s) of rejection set forth in section (9) above by signing below:

Wynn Coggins
Director TC 3600



Conferees:



James Kramer
Supervisory Patent Examiner, Art Unit 3693

Vincent Millin
Appeal Specialist, TC 3600

